



2005-452

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November 5, 2005

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PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

In Re: In the Matter of the Application of Peoples Rural Telephone Cooperative Corporation, Inc., for a Certificate of Convenience and Necessity to Construct New Operations Center Building in its operating territory.

Dear Ms. O'Donnell:

Pursuant to KRS 278-020 Peoples Rural Telephone Cooperative ("PRTC") requests authority to construct an operations center building in its certified territory. Enclosed are copies of PRTC's verified Application seeking the approval of the Kentucky Public Service Commission ("Commission") to construct the building in McKee, Kentucky.

As a part of the Application, PRTC's Articles of Incorporation is included as Exhibit A. Estimates of the architect's cost of construction is attached as Exhibit B. PRTC's August 2005 RUS Form 479, Financial and Statistical Report for Telecommunications Borrowers, is attached as Exhibit C. Finally, PRTC has attached the architect's site map and building blue prints as Exhibit D.

After the Application has been processed, PRTC's personnel will be available to meet with members of the Commission's engineering staff and other concerned Commission personnel.

In the event that there are other filing requirements or information requests associated with this Application, please advise me at your earliest convenience.

Yours Truly

Keith Gabbard
General Manager

General Manager: Keith Gabbard

P.O. Box 159 U.S. Highway 421 McKee, Kentucky 40447

McKee: (606) 287-7101 Booneville: (606) 593-5000

Fax: (606) 287-8332 Email: prtc@prtcnet.org

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF
KENTUCKY

2005-452

In the Matter of:

The Application of Peoples Rural Telephone)
Cooperative Corporation Inc., for a Certificate) CASE No.
Convenience and Necessity to Construct a New)
Operations Center Building)

Pursuant to the provisions of KRS 278.020, and 807 KAR 5:001 of Kentucky Administrative Regulations, the Applicant, Peoples Rural Telephone Cooperative Corporation, Inc. ("PRTC") respectively submits this verified Application and four (4) copies, to the Kentucky Public Service Commission ("Commission"):

I.

PRTC is a non-stock, non-profit, membership-owned cooperative corporation, duly organized and existing under and by virtue of the provisions of KRS 279, and pursuant to 807 KAR 5:001; Section 9(1)(a). A copy of PRTC's Articles of Incorporation and all amendments are attached hereto as Exhibit "A".

II.

Pursuant to 807 KAR 5:001; Section 8(1) the address of PRTC's headquarter office and principal place of business of the Applicant is:

Peoples Rural Telephone Cooperative Corporation, Inc.
U.S. Highway 421
P.O. Box 159
McKee, Kentucky 40447

III.

PRTC is a Rural Utilities Services ("RUS") borrower and operates a local telephone system consisting of four (4) exchanges in eastern Kentucky. As of December 31, 2004, Peoples

had a total of 8,799 access lines providing telephone service to its members in Jackson and Owsley Counties in eastern Kentucky.

IV.

The proposed construction of a new operations center building involves a total estimated project cost of \$2,118,825. Pursuant to 807 KAR 5:001, Section 9(2)(e) PRTC proposes to finance the cost of the construction of a new operations center building through the use of cash and equivalent assets. Attached, as Exhibit "B" is the architect's estimate of the cost of construction. As of August 31, 2005, PRTC has \$6,351,691 in cash and equivalents on hand. The cost and payment for this building will not negatively impact the financial integrity of PRTC. Attached as Exhibit "C" is RUS Form 479, the Financial and Statistical Report for Telecommunications Borrowers, which contains PRTC's balance sheet and income statements for August 2005 and year to date. Exhibit C demonstrates that PRTC financial condition will not be adversely impacted with the financing of this building.

V.

Pursuant to 807 KAR 001; Section 9(2) the information provided in this Petition demonstrates the public need for the new facilities. The purpose of the proposed project is to construct a building that will contain new and additional office space, provide new facilities for its AS 400 computer system, and house PRTC's relocated central office switch. The proposed building will be a two-story building containing 12,578 sq. feet. Architect drawings of the proposed site and floor plans have been included as Exhibit "D".

PRTC's present facilities do not provide sufficient office space for its staff. In a number of PRTC administrative offices there are as many as 3 workers in offices designed for a single worker. This overcrowding causes a loss of productivity and negatively affects the efficiency of

PRTC's work force. With the construction of this building PRTC will have sufficient office space to meet the needs of its administrative and technical staff for the foreseeable future.

PRTC's IBM AS400 computer is currently located in its administration building. The space it occupies is not designed for computer operations. The air conditioning system required for the operation of the IBM AS400 is insufficient leading to periodic service problems. Furthermore, storage facilities for files and tapes are inadequate and overcrowded. The proposed building has space dedicated to the operation of the IBM AS400. Climate control systems have been designed to meet the needs of the computer system and provide the necessary storage and workspace for operators.

PRTC's central office switch is currently located in a separate building that is subject to flooding. During flash flooding that occurred in 2003 and 2004 water did get into the building but did not reach the switch. Because of this occurrence and the potential for a more catastrophic event, PRTC feels that it is necessary to relocate the switch to an area that will not be subject to flooding.

The construction plans are currently divided into two (2) phases. Phase I will consist of preparing the building site to support the building and bringing it to finish grade. The building site is located on a creek bank, which will require shoring-up to prevent erosion undercutting the proposed building. Further because of the type of soil, pile driven steel H piers will have to be installed to ensure the stability of the building. The cost of this phase of the project is estimated to be approximately \$302,125.

The operation center building will be a two-story building. The first floor will be primarily dedicated to offices and storage. Its footprint will consist of 6,333 sq. feet of coverage area. The second floor will consist of 6,245 sq. feet. The second floor will contain the main

switch room, computer rooms, electrical room, and offices. The cost of this phase of construction is estimated to be \$1,886,700. The total cost of construction will be \$2,118,825.

VI.

Pursuant to 807 KAR 001: Section 9(2)(f), PRTC's cost of operation after construction is complete will be insignificant. PRTC does not anticipate adding employees or incurring additional expense as a result of this construction. Further, PRTC does not currently anticipate the generation of additional revenues from the construction of the new operation center building. As of August 31, 2005, PRTC's net income year to date is \$2,527,440 with a resulting tier of 4.96. PRTC has attached Financial and Statistical Report For Telecommunications Borrower, RUS Form 479 as exhibit "C".

PRTC does not anticipate seeking any rate adjustments as a result of the construction expenditures associated with this construction project.

VII.

Pursuant to 807 KAR 001; Section 9(2)(b), PRTC does not require franchise approval from any public authority for the proposed construction. PRTC has provided local exchange telephone service in excess of fifty (50) years to its members within its service area. PRTC currently possesses all required licenses, permits and approvals in order to provide said service.

VIII.

PRTC does not anticipate that the proposed new construction will compete with any public utility, corporation, or person providing local exchange service within its service area. It may compete with cablevision firms within the service area.

IX.

Pursuant to 807 KAR 500:1 Section 9(2)(d), four (4) copies of the required site maps and blue prints are attached as Exhibit "D".

X.

PRTC's files herein as Exhibits and by reference hereby make same a part of this application, the following:

Exhibit "A"	Articles of Incorporation
Exhibit "B"	Architect's estimates of building costs
Exhibit "C"	RUS Form 479, FINANCIAL AND STATISTICAL REPORT FOR TELECOMMUNICATIONS BORROWERS
Exhibit "D"	Detailed blue prints and site map of the proposed building

Pursuant to the provisions of Section 278.020 Kentucky Revised Statutes and 807 KAR 5:001, Section 8, the Applicant, Peoples Rural Telephone Cooperative Corporation, Inc. requests that the Kentucky Public Service Commission issue a Certificate of Convenience and Necessity to construct an operations center building as described herein, and provided in the attached exhibits.

RESPECTFULLY SUBMITTED,



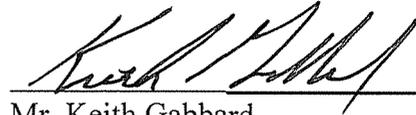
ALLEN B. ROBERTS, ATTORNEY AT LAW
PEOPLES RURAL TELEPHONE COOPERATIVE
P O BOX 759
MCKEE, KENTUCKY 40447
606 287-5223

COMMONWEALTH OF KENTUCKY

COUNTY OF Jackson

Affiant, Mr. Keith Gabbard, General Manager of Peoples Rural Telephone Cooperative Corporation, Inc., states that he has read the foregoing application, and that the allegations therein contained are true.

This the 4th day of November 2005



Mr. Keith Gabbard
General Manager

SUBSCRIBED AND SWORN TO before me, a Notary Public, by Mr. Keith Gabbard,
this the 4th day of November, 2005.



Notary Public

MY COMMISSION EXPIRES:

5-20-08

**ARTICLES OF INCORPORATION OF
PEOPLES RURAL TELEPHONE COOPERATIVE CORPORATION INCORPORATED**

We, the undersigned, being natural persons and citizens of the Commonwealth of Kentucky do hereby execute these articles of incorporation for the purpose of organizing a nonprofit cooperative corporation (herein called the "Cooperative") under the laws of the Commonwealth of Kentucky, pursuant to an Act entitled "AN ACT relating to telephone cooperative, non-profit corporations, rural telephones and telephone services" approved March 25, 1950.

FIRST, the name of the Cooperative is Peoples Rural Telephone Cooperative Corporation, Inc.

SECOND, the address of the principal office of the Cooperative is McKee, Jackson County, Kentucky. H. W. Tussey, McKee, KY., is the process agent.

THIRD, the names and addresses of the incorporators of the Cooperative are:

Names	Addresses
H. W. Tussey	McKee, Kentucky
Bruce Hays	McKee, Kentucky
Alfred Oppeneer	Annville, Kentucky
Jesse J. Smith	Clover Bottom, Kentucky
D. W Barrett	Booneville, Kentucky
Joe T. Morgan	Booneville, Kentucky
Pleas Turner	Bonneville, Kentucky

FOURTH, the names and addresses of the persons who shall constitute the first Board of Trustees of the Cooperative are:

Names	Addresses
H. W. Tussey	McKee, Kentucky
Bruce Hays	McKee, Kentucky
Alfred Oppeneer	Annville, Kentucky
Jesse J. Smith	Clover Bottom, Kentucky
D. W Barrett	Booneville, Kentucky
Joe T. Morgan	Booneville, Kentucky
Pleas Turner	Bonneville, Kentucky

FIFTH, the operations of the Cooperative are to be conducted in the Counties of Jackson and Owsley, and in such other counties as such operations may from time to time become necessary or desirable in the interest of this Cooperative or of its members.

IN TESTIMONY WHEREOF we have hereunto subscribed our names this 30th day of November, 1950.

H. W. Tussey
Bruce Hays
Alfred Oppeneer
Jesse J. Smith
D. W Barrett
Joe T. Morgan
Pleas Turner

STATE OF KENTUCKY

SCT

COUNTY OF JACKSON

I, Elmer Cunagin, notary public in and for the County and State aforesaid, hereby certify that the foregoing Articles of Incorporation of the Peoples Rural Telephone Cooperative Corporation, Inc., were this day produced

to me by H. W. Tussey, Bruce Hays, Alfred Oppeneer, Jesse J. Smith, D. W. Barrett, Joe T. Morgan and Pleas Turner, and acknowledged and delivered by said parties to be their act and deed, and the act and deed of each of them.

This the 30th day of November, 1950

Elmer Cunagin

Notary Public

My Commission expires November 1, 1953.

B. DANIEL ROLL, ARCHITECT

2201 NORTH MAIN STREET
HAZARD, KENTUCKY 41701-1037

PHONE: — (606-439-3230)
FAX: — (606-439-3330)

**PRTC Operations Center Building
Statement of Probable Cost (Design Phase Update)**

PROJECT PHASE: Design Devel Plan Completion Contracted

CONSTRUCTION COST ESTIMATE

- | | | |
|---|----------------|--------------------------|
| 1. Site Development - Op. Ctr. Building Site to Finish Grade | \$ 302,125.00 | |
| 2. General Building Construction (base on \$150/ sq.ft. est.) | \$1,886,700.00 | (12,578 sq.ft. building) |
| <hr/> | | |
| 3. Total Construction Cost Estimate (1 and 2 above) | | \$2,118,825.00 |

KENTUCKY REGISTERED ARCHITECT



DATE: October 31, 2005

USDA-RUS

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

FINANCIAL AND STATISTICAL REPORT FOR TELECOMMUNICATIONS BORROWERS

BORROWER NAME AND ADDRESS
PEOPLES RURAL TELEPHONE COOP. CORP., INC.
PO BOX 159
MCKEE, KY 40447

INSTRUCTIONS-Submit report to RUS within 30 days after close of the period.
For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.

PERIOD ENDING
8/31/05

BORROWER DESIGNATION
KY-514

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

SIGNATURE OF MANAGER

DATE

SIGNATURE OF OFFICER

DATE

PART A. BALANCE SHEET

ASSETS		BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES	
1. Cash and Equivalents		6,351,691	26. Accounts Payable	63,022
2. Cash-RUS Construction Fund		124,976	27. Notes Payable	
3. Telecommunication Accounts Receivable		502,254	28. Advance Billings and Payments	323,130
4. Other Accounts Receivable			29. Customer Deposits	
a. Affiliates	159,736		30. Current Maturities Long-Term Debt	
b. Non-Affiliates	556,072		31. Current Maturities Long-Term Debt-Rural Dev.	
Total		715,808	32. Current Maturities-Capital Leases	
5. Notes Receivable			33. Income Taxes Accrued	
6. Interest and Dividends Receivable		44,480	34. Other Taxes Accrued	156,022
7. Material-Regulated		317,831	35. Other Current Liabilities	462,336
8. Material-Nonregulated				
9. Prepayments		91,343	36. Total Current Liabilities (26 thru 35)	1,004,510
10. Other Current Assets			LONG-TERM DEBT	
11. Total Current Assets (1 thru 10)		8,148,383	37. Funded Debt-RUS Notes	16,604,391
NONCURRENT ASSETS			38. Funded Debt-RTB Notes	1,983,653
12. Investment in Affiliated Companies			39. Funded Debt-FFB Notes	
a. Rural Development			40. Funded Debt-Other	
b. Non Rural Development	7,918,208		41. Funded Debt-Rural Development Loan	
Total		7,918,208	42. Premium (Discount) on Long Term Debt	
13. Other Investments			43. Reacquired Debt	
a. Rural Development			44. Obligations Under Capital Lease	
b. Non Rural Development	291,000		45. Advances From Affiliated Companies	
Total		291,000	46. Other Long-Term Debt	
14. Nonregulated Investments		287,150	47. Total Long-Term Debt (37 thru 46)	18,588,044
15. Other Noncurrent Assets			OTHER LIABILITIES AND DEFERRED CREDITS	
16. Deferred Charges			48. Other Long-Term Liabilities	666,704
17. Jurisdictional Differences			49. Other Deferred Credits	
18. Total Noncurrent Assets (12 thru 17)		8,496,358	50. Other Jurisdictional Differences	
PLANT, PROPERTY, AND EQUIPMENT			51. Total Other Liabilities and Deferred Credits (48 thru 50)	666,704
19. Telecommunications Plant-in-Service		39,275,675	EQUITY	
20. Property Held for Future Use			52. Capital Stock Outstanding and Subscribed	
21. Plant Under Construction		792,304	53. Additional Paid-in-Capital	
22. Plant Adjustment, Nonoperating Plant, and Goodwill			54. Treasury Stock	
23. Less Accumulated Depreciation		17,194,202	55. Membership and Capital Certificates	182,671
24. Net Plant (19 thru 22 less 23)		22,873,777	56. Other Capital	
25. TOTAL ASSETS (11 + 18 + 24)		39,518,518	57. Patronage Capital Credits	19,076,589
			58. Retained Earnings or Margins	
			59. Total Equity (52 thru 58)	19,259,260
			60. TOTAL LIABILITIES AND EQUITY (36 + 47 + 51 + 59)	39,518,518

**FINANCIAL AND STATISTICAL REPORT
FOR TELECOMMUNICATIONS BORROWERS**

KY-514 PEOPLES RURAL TELEPHONE

PERIOD ENDING

INSTRUCTIONS - See RUS Bulletin 1744-2

8/31/05

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	THIS PERIOD (a)	THIS YEAR (b)	LAST YEAR (c)
1. Local Network Services Revenues	310,365	1,931,112	1,392,379
2. Network Access Services Revenues	580,997	4,843,726	4,056,663
3. Long Distance Network Services Revenues	152,400	1,279,510	980,660
4. Carrier Billing and Collection Revenues	25,463	338,168	122,857
5. Miscellaneous Revenues	7,109	67,386	96,498
6. Uncollectible Revenues	7,598	60,784	56,243
7. Net Operating Revenues (1 thru 5 less 6)	1,068,736	8,399,118	6,592,814
8. Plant Specific Operations Expense	281,025	1,907,896	1,777,357
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	38,397	296,600	260,449
10. Depreciation Expense	221,324	1,774,101	1,728,617
11. Amortization Expense			
12. Customer Operations Expense	54,394	492,067	481,331
13. Corporate Operations Expense	96,810	696,387	706,391
14. Total Operating Expenses (8 thru 13)	691,950	5,167,051	4,954,145
15. Operating Income or Margins (7 less 14)	376,786	3,232,067	1,638,669
16. Other Operating Income and Expense			
17. State and Local Taxes			
18. Federal Income Taxes			
19. Other Taxes	27,440	219,520	203,840
20. Total Operating Taxes (17 + 18 + 19)	27,440	219,520	203,840
21. Net Operating Income or Margins (15 + 16 - 20)	349,346	3,012,547	1,434,829
22. Interest on Funded Debt	79,523	638,734	673,281
23. Interest Expense - Capital Leases			
24. Other Interest Expense			
25. Allowance for Funds Used During Construction			
26. Total Fixed Charges (22 + 23 + 24 - 25)	79,523	638,734	673,281
27. Nonoperating Net Income	27,318	148,182	44,507
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income	(15,427)	5,445	68,563
31. Total Net Income or Margins (21 + 27 + 28 + 29 + 30 - 26)	281,714	2,527,440	874,618
32. Total Taxes Based on Income			
33. Retained Earnings or Margins Beginning-of-Year			
34. Miscellaneous Credits Year-to-Date			
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital			
39. Retained Earnings or Margins End-of-Period			
40. Patronage Capital Beginning-of-Year		13,071,939	
41. Transfers to Patronage Capital		0	
42. Patronage Capital Credits Retired		102,914	
43. Patronage Capital End-of-Year		12,969,025	
44. Annual Debt Service Payments		1,840,673	
45. Cash Ratio [(14 + 20 - 10 - 11) / 7]		43.0	
46. Operating Accrual Ratio [(14 + 20 + 26) / 7]		71.7	
47. TIER [(31 + 26) / 26]		4.96	